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PEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 8, 1998

Ameritech.

Ms. Magalie Roman Salas Secretary Federal Communications Commission 1919 M Street, NW Room 222 Washington, DC 20554

Re: Ex Parte Filing

CC Docket 97-121, CC Docket 97-137 CC Docket 97-208, CC Docket 97-231 And CC Docket 96-98

Dear Ms. Salas:

On Friday, September 4, 1998, Mr. John Lenahan and I met with Ms. Kathryn Brown, Ms. Carol Mattey, Mr. Don Stockdale, Ms. Jane Jackson and Mr. Jake Jennings of the Common Carrier Bureau. We discussed Ameritech's position on Shared Transport and provided an update of "Ameritech's View of the Roadmap", a copy of which is attached.

Sincerely,

Attachment

cc:

K. Brown

C. Mattey

D. Stockdale

Jun J. Starryn

J. Jackson

J. Jennings

# **SECTION 271 STATUS REPORT**

# AMERITECH'S VIEW OF THE "ROADMAP"



UPDATED AS OF SEPTEMBER 3, 1998

(SUPPLEMENTING ORIGINAL DATED JANUARY 21, 1998)

(FOR DISCUSSION PURPOSES)

### September 3, 1998 Update

Introduction and Purpose Section 271 of the Telecommunications Act of 1996 may survive its current legal challenges, or it may be found on appeal to be unconstitutional, or it may be legislatively modified. Regardless of those future outcomes, Ameritech – for planning purposes – assumes it will be necessary to demonstrate that it has opened the local market to competition, in compliance with Sections 251 and 252 of the 1996 Act. Therefore, for purposes of discussion, this paper assumes Section 271 and the Commission's "roadmap" will continue to govern Ameritech's entry into long distance.

The Commission described its interpretation of Section 271 in its Order that denied Ameritech's application to provide long distance service in Michigan. The substantive requirements identified in that Order have been called the "roadmap." (CC Docket 97-137, FCC 97-298) In its South Carolina 271 Order, the Commission reaffirmed the guidance it provided in the Michigan 271 Order and, in a few areas not addressed in its prior Order, provided additional guidance for future applications. (CC Docket 97-208, FCC 97-418)

This paper has two purposes. First, it is intended to convey Ameritech's understanding of the Commission's expectations for a successful 271 application. The goal is to facilitate an open dialogue between Ameritech and the Commission, State commissions and the Department of Justice to achieve a successful application. Second, this memo provides a summary of Ameritech's position on, and the current status of, the substantive requirements of the "roadmap."

## September 3, 1998 Update

On January 22, 1998, Ameritech provided to the Commission a position paper, which as described above, summarized its understanding of the Section 271 "roadmap." This January position paper provided the foundation for twelve subsequent meetings between Ameritech and FCC Staff in conjunction with the Commission's so-called collaborative process.

The purpose of this September 3, 1998 supplement is to update the Commission regarding progress made since January 1998. To highlight the changes from the original January paper, updates provided in this September supplement are shown in Bold Italics. Except for these updates, the text is identical to the executive summary in the January paper.

Ameritech's current Section 271 status is easy to summarize: Based on the extensive collaborative process summarized below, Ameritech believes that all operational, pricing and performance issues identified by the Commission have been resolved. At the current time, there are two pending legal issues that must be resolved:

- Pre-combined "network platforms" now before the U.S. Supreme Court.
- "Shared Transport" Ameritech will seek rehearing in the Eighth Circuit.

Next Steps Although Ameritech's application was denied, the Commission recognized the significant accomplishments made to open the local exchange market to competition: "Ameritech has committed considerable resources and has expended tremendous efforts in implementing many of the steps necessary to receive in-region, interLATA authority ..." (¶ 403) Ameritech remains committed to providing its customers with a meaningful alternative to existing long distance services available today, and so also remains committed to a successful 271 application. To those ends, Ameritech proposes the following next steps:

- Review substantive issues with state staff, DOJ and Commission staff to reach mutual understandings and resolutions without further delay.
- All parties commit to an open and candid working relationship, with and this is critically important two-way dialog.
- After staff review, Ameritech will supplement the state dockets to reflect new information and performance results.
- After state review, Ameritech will refile with the FCC.

Ameritech believes these proposed steps are consistent with and responsive to recent statements from the Commission encouraging a more open and cooperative 271 process. As Chairman Kennard recently stated: "... by working together before a section 271 application is filed... interested parties can seek to eliminate uncertainties and resolve potential disputes...." See Separate Statement of Chairman Kennard (CC Docket 97-208, December 24, 1997, emphasis in original); See also Separate Statement of Commissioner Ness (CC Docket 97-208, p. 2) and Separate Statement of Commissioner Powell (CC Docket 97-208, p. 1), and Statement released January 15, 1998. Ameritech prepared this paper, which discusses each of the 271 requirements identified by the Commission, to initiate such "open dialogue" and this "getting to yes" process.

## September 3, 1998 Update

The following Commission actions or judicial decisions have helped to further clarify the Section 271 "roadmap:"

- Iowa Utilities Board v. FCC, 135 F. 3d 535 (8th Cir. 1998) (Pricing Mandate)
- Louisiana 271 Order (CC Docket 97-231, FCC 98-17)
- SBC Communications, Inc. v. FCC, 138 F. 3d 410 (D.C. Cir. 1998) (Oklahoma Order Affirmed)
- Southwestern Bell Telephone Company v. FCC (August 10, 1998, Slip Op., 8th Cir.) (Affirming "Shared Transport" Order), Petitions for Rehearing due September 24, 1998

- Second BellSouth Louisiana Section 271 Application, filed July 9, 1998, Order due October 13, 1998
- U. S. Supreme Court Oral Argument, 8th Cir. Local Competition Rules, Argument scheduled for October 13, 1998

The following discussions between the Common Carrier bureau and Ameritech have occurred:

1/22/98	Initial Meeting - January 21, 1998 White Paper Provided
2/4/98	911/E911, Directory Assistance and Operator Services, Number Administration, White Page Directory Listings, Poles and Conduit, Local Dialing Parity
2/12/98	Interconnection, Resale, Databases and Signaling, Reciprocal Compensation
2/18/98	Loops, Local Transport, Local Switching, Number Portability
2/27/98	Feedback from FCC
3/6/98	Section 272, Tracks A and B
3/11/98	Operational Support Systems
3/16/98	Performance Measurements
3/27/98	FCC Feedback
4/3/98	Operational Support Systems Visit
4/8/98	Combinations of Unbundled Network Elements
5/1/98	Public Interest, OSS Update, FCC Feedback

The following Ameritech filings related to Section 271 issues have been provided to the Commission:

6/4/98 Combinations of Unbundled Network Elements – Ameritech's Presentation on Panel 3 at Common Carrier Forum Regarding Collocation

6/1/98 and 7/6/98 Performance Measures - Comments and Reply in CC Docket 98-56

8/4/98 and 8/25/98 Comments and Reply in Support of BellSouth Louisiana II Application

9/1/98

Public Interest - Ameritech Comments Filed in CC BPol. 98-4

Based on this significant dialogue, and subsequent Commission orders and judicial opinions, Ameritech believes significant progress has been accomplished since January, 1998. The balance of this update focuses on the primary Section 271 Requirements:

- I. Track A
- II. Checklist Compliance
- III. Section 272
- IV. Public Interest

\* \* \*

## I. Track A Findings

Ameritech agrees with the Commission's legal conclusions regarding the statutory requirements to comply under "Track A." There appear to be only two remaining issues: what constitutes "predominant" and whether PCS service is "telephone exchange service." In contrast, Ameritech disagrees with the Commission's existing legal interpretations regarding the availability of Track B. However, this paper does not address Track B because the Commission has indicated that it will provide specific guidance on this issue in a future proceeding.

## September 3, 1998 Update

The FCC appears to agree that a PCS provider can satisfy Track A if it offers "telephone exchange service" as defined by Section 3(47)(A) and is a "actual commercial alternative to the BOC." See Louisiana Order I at  $\P$  73.

The Commission's interpretation of a "qualifying request' in connection with Track B was affirmed by the Court of Appeals for the District of Columbia

The meaning of "predominant" is still unresolved.

## II. Checklist Compliance

### September 3, 1998 Update

As discussed during the collaborative process, Ameritech believes that it has successfully addressed the operational and implementation issues identified in the Ameritech Michigan 271 Order in connection with the competitive checklist. This resolution can be demonstrated by an assessment of local competitive entry. For comparison's sake, local competitive entry as of November 1, 1997, which is when most of the operational issues that were identified by the FCC as needing improvement were successfully resolved, and July 1, 1998, the most recent date figures are available, demonstrates that Ameritech has opened the local market to competitive entry:

	November 1, 1997	July 1, 1998
Collocation		*.
Physical	50	207
Virtual	169	239
Total	219	447
EOI Trunks	84,555	182,491
Unbundled Loops	61,006	99,614
Resold Lines	398,000	903,064
Total Lines Provided		
by Ameritech	459,000	1,002,678
Estimated Bypass'	<u>171,520</u>	402,236
Total Competitive		
Lines	630,520	1,404,914

A summary of competitive checklist compliance as of July 1, 1998 is shown on the next page.

<sup>&</sup>lt;sup>1</sup> Bypass estimate assumes 2.75 Lines/EOI Trunk less unbundled loops.

## Ameritech's Competitive Checklist Compliance As Of July 1, 1998

1)	interconnection	208 Wire Centers with physical collocation 239 Wire Centers with virtual collocation 182,491 interconnection trunks
2)	access to unbundled network elements	OSS Capacity Pre Order – 1200 per hour Order – 15,000 per day Trouble Report – 2,300 per day
3)	poles, conduits and row	1.2 million poles 2.5 million conduit feet
4)	unbundled loops	99,614 local loops provisioned
5)	unbundled local transport	Orders from five CLECs
6)	unbundled local switching	Local switching is available; tandem switching is being provided
7)	911, OS and DA	458 trunks for 911 service 214 operator service trunks 499 directory assistance trunks
8)	white page listings	309,828 listings provided (239,475 residential and 70,353 business)
9)	number administration	1,160 NXXs assigned
10)	signaling and call related databases	9.2 million queries per month
11)	number portability	108,346 interim 2,686 long term
12)	local dialing parity	Billions of inter-network related calls with full local dialing parity
13)	reciprocal compensation	Ameritech to CLEC 690 Million MOUs in June CLEC to Ameritech 56 Million MOUs in June
14)	resale	903,064 resale lines sold

Checklist Issues That Are Resolved. As the Commission noted, seven of Ameritech's fourteen checklist items were in "limited dispute." These include: poles and conduit, directory assistance and operator services, white page directory listings, numbering administration, call routing databases and associated signaling, local dialing parity, and reciprocal compensation. As described in this paper, Ameritech has resolved all issues raised relative to these checklist items. In addition, Ameritech has continued to work with carriers as new disputes arise – which they surely will in such a complex area. Based upon Ameritech's original showing, and the resolution of these limited disputes, there should be no question that these seven checklist items fully satisfy the checklist. Finally, although the Michigan 271 Order did not address the applicability of reciprocal compensation for calls to information service providers, Ameritech believes that such calls are not entitled to reciprocal compensation because they are exchange access, not local calls. Ameritech has established and funded an escrow account for these disputed amounts, and strongly encourages the Commission to promptly resolve this significant pending legal issue.

In addition, most of the other checklist concerns identified in the Michigan 271 Order have been or will be fully resolved. These issues include: interconnection and call blockage, 911 and E911 services, long-term number portability, and resale of intraLATA toll service. With respect to interconnection, Ameritech will provide the call blockage information the Commission requested, and will demonstrate that all identified blockage concerns have been adequately resolved. With respect to the functioning of our OSS, Ameritech has implemented numerous system design modifications to improve already industry-leading flow-through and processing intervals. Reconciliation of E911 databases in Michigan has been completed, and additional 911 performance reporting will be provided. Ameritech's next application will demonstrate its ability to implement long-term number portability on schedule; subject only to obtaining regulatory authority to offer the service and obtain cost recovery. Finally, the concerns regarding intraLATA toll resale will be addressed in our next application.

#### September 3, 1998 Update

- Ameritech believes that all of the above operational issues have been resolved.
- The issue of whether dial-up connections over the public switched telephone network to obtain access to the Internet constitutes an interstate access service is still pending before the Commission and needs to be resolved. See Ameritech comments in BellSouth Louisiana II, CC Docket 98-121 and in CCB/CPD Docket 97-30.

Other Checklist Issues. In contrast to these very significant checklist accomplishments and resolutions, a number of competitive checklist items still require Commission clarification or reconsideration. These items include: the meaning of "nondiscriminatory" access to OSS, pricing of checklist items, unbundled local transport, unbundled local switching and combinations of network elements. Ameritech's concerns with these items are detailed in the body of this paper and summarized below:

#### September 3, 1998 Update

Ameritech believes that the issues associated with OSS, performance measures and pricing of checklist items identified by the Commission have been resolved. An issue associated with unbundled local switching ("originating carrier pays") is pending before the Commission. Issues associated with shared transport and other combinations of network elements (i.e. "network platforms") are still not resolved, and are pending in the courts.

1. Operational Support Systems. Ameritech agrees that nondiscriminatory access to OSS is necessary for a successful 271 application. However, Ameritech believes that the Commission's discussion of nondiscriminatory access in the Michigan 271 Order is internally inconsistent, and contrary to the statutory standard. The Commission should clarify that "equivalent access" or "nondiscriminatory access" for network elements, including OSS, and for resold services, is defined as "substantially the same time and manner as the ILEC provides for itself." Nondiscriminatory access cannot be defined as "equal" for these elements or services. This is not the statutory standard and it is a standard that is technically infeasible for an ILEC to ever meet. The Commission's South Carolina 271 Order correctly defines nondiscriminatory access as "substantially the same time and manner," not as "equal" to itself. In addition, there is no retail comparison for many of the OSS pre-ordering and ordering functions. For example, Ameritech does not provide a "firm order confirmation" to itself; the system either accepts or rejects the order. Finally, as the Commission has requested, Ameritech will provide updated evidence regarding its manual and electronic OSS capacities. However, Ameritech is concerned that the Commission has been far too negative regarding business decisions to use manual processing for certain services or processes.

## September 3, 1998 Update

Ameritech is currently furnishing access to its operational support systems to over 50 carriers in its five states.

Ameritech believes it has resolved OSS issues previously identified by the Commission. The primary improvements have come as a result of three factors:

- Increased use of electronic interfaces by both Ameritech and competing carriers
- Additional carrier experience with the use of OSS services provided by Ameritech
- New documentation, via a website, and procedures for ordering and using OSS

The Commission appears to have reaffirmed the position it took in the South Carolina 271 Order that "nondiscriminatory access" to a BOC's OSS means "within substantially the same time and manner in which the BOC provides the service to itself." Louisiana 271 Order at ¶ 21 and 24.

2. <u>Performance Measures.</u> As a result of the Commission's Order, Ameritech is evaluating additional potential performance measurements. However, Ameritech is concerned that the Commission has shown little regard for the practical consequences of adding

additional performance measurements, in particular, those measurements that did not exist or were not previously used for Ameritech's retail operation. Ameritech plans to propose that some of the additional measurements identified by the Commission or included in the prior application are not required or have been rendered redundant by other measurements.

## September 3, 1998 Update

Ameritech has provided extensive comments to the Commission in conjunction with its Notice of Proposed Rulemaking on Performance Measures in CC Docket 98-56. See June 1, 1998 comments and July 6, 1998 reply comments. As described in these filings, Ameritech believes there are approximately 100 different measurements that are relevant to demonstrating both performance quality and parity. These measures cover the following categories of services:

- Pre-ordering and ordering processes and cycle time
- Reliability and availability of OSS
- Resale performance
- Unbundled network element performance

Ameritech tracks its performance in each category on an individual carrier basis and makes industry average data, as applicable, available to each carrier in written reports that are discussed at service management meetings held on a regular basis. Parity comparisons with retail equivalents, where appropriate, are also provided to carriers.

Ameritech is also in the process of working with state Commissions to develop and define comprehensive performance plans, which would include agreement on appropriate performance measurements, calculations of such measurements, standards for performance, and consequences of breach of such performance standards.

3. Pricing of Checklist Items. As the Commission recognized, the State commissions in Ameritech's region have applied the pricing principles in Section 252 in a manner consistent with the FCC's views. Ameritech believes that these pricing determinations are determinative for checklist compliance. An applicant should not be forced to meet two separate, and potentially conflicting, pricing standards for the same element or service. That being said, Ameritech notes that neither the Commission nor the Department of Justice raised any substantive objections to Ameritech's prices in their review of Ameritech's Michigan 271 application. Ameritech believes that the prices in its states would clearly satisfy any Commission review that might be applied in the context of a 271 application.

## September 3, 1998 Update

There have been no significant changes in direction in connection with state Commission pricing decisions within the Ameritech region.

Earlier this year, the Eighth Circuit reaffirmed its interpretation of the 1996 Act that state Commissions have the "exclusive authority" to determine and implement pricing requirements of Section 252(d). In that regard, the Eighth Circuit issued a Writ of Mandamus and ordered the Commission "to confine its pricing role under Section 271(d)(3)(A) to determining whether applicant BOCs have complied with the pricing methodology and rules adopted by the state Commission . . . . " 135 F. 3d at 543. The Commission has sought review of the Eighth Circuit's Writ of Mandamus in the Supreme Court.

4. <u>Unbundled Local Transport.</u> As the Commission is aware, Ameritech has appealed its Shared Transport Order. Pending a final outcome, Ameritech is not aware of any way to implement the Shared Transport Order in a manner consistent with the Eighth Circuit's Order on Rehearing, which vacated Rule 51.315(b).

Regardless of the outcome of the Shared Transport appeal, the Commission needs to address the obligations associated with a requesting carrier providing service using unbundled network elements that seeks to interconnect with a third-party, facilities-based local exchange carrier. The end office interconnection trunks used by the incumbent LEC and such third-party carriers are not network elements. Therefore, requesting carriers will be required to negotiate and obtain their own end office interconnection arrangements. As an interim, short-term measure, other potential options, including "transiting" and indirect interconnection, may need to be considered.

## September 3, 1998 Update

On August 10, 1998, the Eighth Circuit affirmed the Commission's Shared Transport Order. In the August 10 decision, the Court reaffirmed its prior ruling that the 1996 Act prohibits the Commission from requiring "incumbents LECs to make available pre-combined packages of already assembled network elements (i.e., platforms)." Slip Op. 19. At the same time, the Court affirmed the Third Order on Reconsideration, apparently on the premise that the Shared Transport Order only requires incumbent LECs to provide shared transport on a "unbundled" basis in a manner that permits the requesting carrier to combine shared transport with switching, as required by Section 251(c)(3). The Court's decision overlooks a critical point raised in the petitions for review: incumbent LECs cannot provide "shared transport" on a "unbundled" basis. The reason for this is simple: the functionality of "shared transport" is provided only by the pre-assembled platform of multiple network elements – transport, local switching and tandem switching. Because the Court's August 10 decision appears to overlook this undisputed fact and, as a result, is inconsistent with Iowa Utilities Board, Ameritech will file a petition for rehearing. Petitions are due on or before September 24, 1998.

In the event the August 10 opinion is not modified, it is not obvious to Ameritech how it would be possible or technically feasible to provide "shared transport" unbundled from switching (i.e., physically separated in a manner that allows a requesting carrier to combine). As the Commission seems to agree, such unbundling would result in service disruptions.

If the August 10 Order becomes final, the definitional issues regarding dedicated trunks and interconnection trunks identified by Ameritech will also need to be resolved.

5. <u>Unbundled Local Switching.</u> Ameritech's position on "shared trunk ports" and access to the "same" routing instructions used to route Ameritech's traffic should be resolved by the pending Shared Transport appeal.

Again, regardless of the Shared Transport appeal, the Commission should reconsider its position that the purchaser of unbundled local switching line cards is entitled to "exclusive" use of all switching functionality for that end user. This position is operationally incorrect, prohibitively expensive to implement and inconsistent with the Commission's own procompetitive rules and policies. If the Commission reconsiders this narrow issue, significant price arbitrage and extensive network recording costs would be eliminated, and there would be no need to develop the "factor-based" approach discussed above.

## September 3, 1998 Update

On March 2, 1998, Ameritech filed a written ex parte in Docket 96-98 regarding an issue it has referred to as "originating carrier pays." In the ex parte, Ameritech sets forth its concerns that the "exclusive use" language pertaining to switching functionality in the First Order on Reconsideration is inconsistent with Section 51.319(c) of the Commission's rules. Ameritech urges the Commission to clarify that the purchaser of a line port obtains use of the switching functionality but not exclusive use, and that the purchaser of a trunk port also obtains the right to use shared switching functionality to enable it to complete trunk to line calls for its local exchange carriers. In addition where both originating and terminating carriers claim use of shared switched fabric, the originating carrier should be charged for the shared switching functionality.

6. Combinations of Network Elements. The provision of existing, preassembled combinations of network elements, including the so-called UNE Platform, at cost-based rates is no longer required. Therefore, Ameritech will demonstrate in its next application that a requesting carrier can obtain access to unbundled network elements in a manner that allows the requesting carrier to combine such elements, in an end-to-end fashion, to provide telecommunications services. In making this showing, Ameritech will be guided by the Commission's discussion in its South Carolina 271 Order. However, this area contains many unanswered questions and policy determinations, which need to be worked through. Until the pending appeals before the U.S. Supreme Court and the Eighth Circuit Court of Appeals become final and non-appealable, Ameritech will comply with the "combination" requirements in its approved interconnection agreements.

#### September 3, 1998 Update

The Commission appealed the Eighth Circuit's decision to vacate Rule 315(b). Briefing has been completed and oral argument is scheduled for October 13, 1998. Therefore, the fundamental issue of whether existing combinations or the so-called network platform, can be

required consistent with the 1996 Act should be resolved by the Supreme Court some time next year.

Assuming the Eighth Circuit's decision is affirmed by the Supreme Court, Ameritech has demonstrated that collocation, in addition to being the only authorized method, is a reasonable method to access and combine unbundled network elements at the incumbent's premises. Collocation is a proven and tested procedure, it maximizes network reliability and security for all carriers, and administratively it facilitates a clear division of responsibility among multiple network providers located at a single location. See Ameritech's June 4, 1998 position paper on this issue filed with the Common Carrier Bureau and Ameritech's comments and reply comments in BellSouth's second application for Louisiana, Docket 98-121.

## III. Section 272 Requirements

Ameritech has addressed all of the concerns noted by the Commission: Ameritech created a Board of Directors for ACI; it will post "actual rates" for all functions provided to or received from BOC affiliates; and all transactions between February 8, 1996 and May 12, 1996 will be available for inspection. Ameritech is concerned, however, that despite the specific directive regarding Section 272 compliance, the Michigan 271 Order disclaims to be a "roadmap." If the Commission is aware of additional 272 concerns, they should be disclosed.

## September 3, 1998 Update

Ameritech believes there are no outstanding issues associated with Section 272 requirements.

#### IV. Public Interest

Ameritech is concerned with some of the specific "illustrative" factors described in the Michigan 271 Order. Clearly, the public interest standard should not be used to create new and changing hurdles or requirements; nor should the already complex 271 process be converted into an omnibus complaint docket, overriding standard State commission or FCC forums and procedures. Rather, the focus of the public interest inquiry should be on the benefits customers will be afforded when a Section 271 application is granted.

## September 3, 1998 Update

Ameritech's position regarding the appropriate standard for implementing the public interest requirement of Section 271 is described in its comments filed on September 1, 1998 in CCB-Pol No. 98-4.